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SUBJECT: S/P KRASNER DISCUSSES JAPAN-INDIA RELATIONS WITH
MOFA OFFICIAL

Classified By: Charge d'Affairs W. Michael Meserve for reasons 1.4(b) and (d)

¶1. (C) Summary. Japan and India will continue to pursue their many common interests, MOFA Southwest Asia Division Director Shimizu told visiting S/P Director Krasner on January 12. On the economic front, Japanese firms hope to create a hedge against the financial risks of operating in China by investing in India. On the political and military side, Japan will promote increased regional participation by India and Australia in order to "bring balance" to East Asia's regional architecture. In March, Japan and India will initiate a strategic dialogue that will include discussion on how the two nations can promote democratization throughout the world. Japanese officials confess that they have not yet fully thought through what role Australia might play in a Quadrilateral dialogue. At the same time, Tokyo would take a "very flexible" attitude toward including South Korea at some future date. End Summary.

¶2. (C) On January 12, S/P Director Krasner reviewed the state of Japan-India relations, as well as Tokyo's recent proposal to initiate a U.S.-Japan-Australia-India Quadrilateral forum, with MOFA Southeast and Southwest Asian Affairs Department, Southwest Asia Division Director Shinzuke Shimizu. NSC Senior Director for Strategic Planning Dr. William Inboden, S/P James Green, and embassy political officers accompanied Krasner.

Improving Ties with India

¶3. (C) Shimizu, noting that he had not been directly involved in the discussions about the Quadrilateral dialogue, provided a readout on Indian PM Dr. Manmohan Singh's December 13-16 visit to Japan. Shimizu characterized the stopover as successful, adding that PM Shinzo Abe and FM Taro Aso attached great importance to relations with India.

¶4. (C) Japanese and Indian interests coincided across a number of areas, Shimizu stated. On the economic front, India wanted to create more jobs for its workers. Japan could help create jobs by investing in India's manufacturing sector and by improving the country's infrastructure. Japanese companies currently operate in China with great risk, he said. Japanese firms would like to hedge that risk

by investing in India.

15. (C) Shimizu maintained that Tokyo's and New Delhi's interests converged on the political and military front as well. With regard to UNSC reform, the two countries agreed to support each other's candidacies for the council two-three years ago, an effort that later led to a G-4 initiative on council reform. Japan likewise collaborated with New Delhi to bring India and Australia into the East Asia Summit - a step which Tokyo believes will "bring balance" to East Asia's regional architecture.

Competition with China

16. (C) Shimizu, noting that Singh had recently met with PRC President Hu Jintao, said that India seemed to have given "slightly more importance" to its relationship with Japan than to its ties with China. MOFA based this assessment on two factors: 1) India had agreed to launch EPA negotiations with Japan but had not yet given a green light to starting a similar effort with Beijing - despite the fact that India-PRC EPA preparations had been more advanced than the EPA talks with Japan, and 2) the titles of the joint documents issued by the Japanese and Indian leaders ("Japan-Asia Partnership in the New Asian Era," and "Eight-fold Initiative for Strengthening Japan-India Global Partnership") were worded "slightly better" than similar documents issued after Singh's meetings in China.

17. (C) The EPA agreement, which the two countries hope to conclude in two years, would help to liberalize retail and other services, Shimizu said. Japan also wants to see India lower tariff levels in order to facilitate investment by Japanese firms. Japanese companies must import parts and capital goods, he said, so India must lower tariffs in order to facilitate Japanese investment.

Shared Democratic Values

18. (C) According to Shimizu, Japan has discussed FM Aso's Arc of Freedom concept with India. PM Abe has stressed that India is important not only for economic reasons, but because Tokyo and New Delhi share democratic values such as rule of law, human rights, etc. In March, Japan and India will initiate a strategic dialogue that will include discussion on how the two nations can assist the process of democratization in other parts of the world, e.g., in Nepal and Afghanistan.

Australia, Pakistan, ROK

19. (C) Shimizu confessed that Japan had not yet fully thought through what role Australia might play in a Quadrilateral dialogue. The Quadrilateral agenda would likely differ from that of the Trilateral Security Dialogue, but few concrete ideas have been developed. In response to a question from Krasner, Shimizu said that Japan would take a "very flexible" attitude toward including South Korea in the Quad structure, but that Japan first wanted to launch the Quad with four countries. Japan's relations with Pakistan would change "somewhat" as a result of Tokyo's decision to develop closer ties with India. Japan will continue to support President Musharraf, but will assist Islamabad "from a different point of view" vis--vis India, he said.

Asia's Cultural Center

110. (C) Krasner and Shimizu agreed that India's new initiative to create Nyland University was an interesting idea that merited further observation. The school might eventually shift the cultural center of Asia to India.

Traditionally, China has always been thought of as the center of Asia culture, he observed.

¶11. (U) This cable has been cleared by S/P Director Krasner.
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